

**Financial Statements**

**Ionia Community Library  
Ionia County, Michigan**

**June 30, 2008**



Ionia Community Library  
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June 30, 2008

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## **INDEPENDENT AUDITOR'S REPORT**

Ionia Community Library  
Ionia County, Michigan

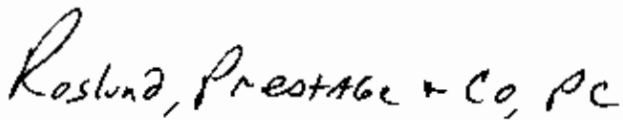
We have audited the accompanying financial statements of the governmental activities and each major fund of the Ionia Community Library (the Library), as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2008, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Roslund, Prestage & Co, PC". The signature is written in a cursive, flowing style.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

November 13, 2008

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**



Ionia Community Library  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008

**Financial Reporting**

The intent of standards set by the Governmental Accounting Standards Board (GASB) is to provide citizens, taxpayers, and library users with a better understanding of how the Ionia Community Library's (the "Library") money and other assets were managed. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Library's financial health.

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Library's financial statements, which will immediately follow this section.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$1,208,055 (net assets) at the government-wide level.
- The Library's total net assets increased by \$120,908 at the government-wide level.
- Total governmental fund balance increased by \$111,876.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Ionia Community Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Library in more detail than the government-wide financial statements by providing information about the Library's operating fund.

Ionia Community Library  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008

**The Library as a Whole**

The following table shows, in a condensed format, the net assets as of June 30, 2007 and 2008.

	<u>June 30</u>	
	2007	2008
<b>Assets</b>		
Current assets	\$ 558,421	\$ 680,808
Capital assets, net	<u>570,898</u>	<u>569,057</u>
Total assets	1,129,319	\$ 1,249,865
<b>Liabilities</b>		
Current liabilities	20,591	17,629
Noncurrent liabilities	<u>21,581</u>	<u>24,181</u>
Total liabilities	42,172	41,810
<b>Net Assets</b>		
Invested in capital assets	570,898	569,057
Restricted for capital projects	106,808	148,317
Unrestricted	<u>409,441</u>	<u>490,681</u>
Total net assets	<u>\$ 1,087,147</u>	<u>\$ 1,208,055</u>

The Library's total net assets were \$1,208,055 at June 30, 2008. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$490,681 at the end of the fiscal year. The net assets invested in capital assets were at \$569,057.

The following table shows the changes in net assets during the years ending June 30, 2007 and 2008. The Penal Fines revenue is included in Operating grants and contribution in 2008 and was listed separately in 2007.

	<u>June 30</u>	
	2007	2008
<b>Revenues</b>		
Program revenue:		
Charges for services	\$ 14,074	2,867
Operating grants and contributions	31,244	245,449
General revenue:		
Property taxes	330,027	346,602
State Aid - unrestricted	17,939	15,243
Penal Fines	194,122	
Interest	<u>15,892</u>	<u>24,084</u>
Total revenues	603,298	634,245
<b>Program Expenses</b>		
Recreation and cultural	<u>\$ 755,127</u>	<u>513,337</u>
<b>Change in Net Assets</b>	<u><b>\$ (151,829)</b></u>	<u><b>\$ 120,908</b></u>

Ionia Community Library  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008

**Governmental Activities**

The Library's governmental revenues totaled \$623,170 with the greatest revenue source being property taxes. Property taxes make up approximately 54% of total governmental revenue. During the fiscal year ending June 30, 2008, Penal Fine income makes up approximately 37.5% of the Library's revenues.

The Library incurred expenses of \$513,337 during the year. The majority of governmental expense is associated with the staffing of the Library, which provides all library services to the public. Staffing expenses make up approximately 60% of total Library expenses during the fiscal year ending June 30, 2008. 20% of total Library expenses were for capital outlay of books, equipment and building improvements to keep the library usable. As a special purpose government, all of the governmental expenses incurred are associated with the library service function.

**The Library's Fund**

The analysis of the Library's major fund begins on page 3, following the government-wide financial statements. The Ionia Community Library's Board of Trustees may create funds to help manage money for specific purposes as well as to show accountability for certain activities. The Library's only fund for the fiscal year ended June 30, 2008 was the General Fund.

The General Fund pays for the Library's governmental services. The sole service provided during the fiscal year was library services, which incurred expenditures of \$511,294 for the fiscal year. Total General Fund expenditures decreased by \$14,605 from the prior year.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the Library Board made necessary budget adjustments to fund unanticipated expenditures during the year. A budgeted Capital Outlay item: the sidewalk/ramp project was budgeted for fiscal year ending June 30, 2008. However the contractor was not able to start until July 2008 and a favorable variance of \$76,787 shows in this fiscal year. The sidewalk/ramp project will be completed in 2008-09. Otherwise, there were only minor revenue and expenditure amendments done during the current year.

**Capital Assets and Debt Administration**

At the end of the fiscal year, the Library had \$569,057 invested in land, equipment, furniture, and materials (net of accumulated depreciation). When the district was formed in July 2004, the capital assets were contributed by the City of Ionia-Hall Fowler Library. The other entities that form the district are: Ionia Public Schools, Easton Township and Ionia Township. Additional assets have been acquired thru library operations and none of the entities have had to make any contributions.

No debt was issued during the fiscal year. The Library had no indebtedness at June 30, 2008.

**Currently Known Fact, Decisions or Condition and Effects**

A 1 mill twenty-year county-wide millage was approved August 3, 1998. For fiscal year 2007/2008 the revenue was \$335,527 from the actual levy of .9381 mills. The projected revenue for the 2008/2009 fiscal year is \$323,600 from an actual levy of .9339 mills. The actual revenue may vary due to tax capture by the local Downtown Development Authority. At its June 18, 2008 meeting, the Library Board of Trustees approved fiscal year 2008/2009 revenue and expenditures of \$ 595,743.



Ionia Community Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2008

In March 2008, the Library Director resigned her position to work for another library district. The position was filled by librarian Sharon VanEtt as an interim position through July 2008. During that time, Mrs. VanEtt oversaw all summer programs and construction of the ramp project on the Library premise. In late July, Debra Dudek, MLS, was hired to fulfill the duties of Library Director. Emphasis on community involvement and life-long learning opportunities will be considered in future programming.

The District will also be reforming in 2008-09 to remove the sunset clause mandating the library revert back to a department of the City of Ionia at December 31, 2008. After the reformation the District will consist of Ionia Public Schools, the City of Ionia and Easton Township. Ionia Township will no longer be a member of the District. The parcels located in Ionia Township that are also in the Ionia Public Schools school district will still be represented on the Board and involved in any future millage referendums.

**Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, and library users with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Debra Dudek, Library Director, 126 East Main Street, Ionia, MI 48846, (616) 527-3680, [iondd@lcoop.org](mailto:iondd@lcoop.org).

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



Ionia Community Library  
Statement of Net Assets  
June 30, 2008

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 663,684
Due from other governmental units	8,354
Prepaid expenses	<u>8,770</u>
Total current assets	680,808
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>569,057</u>
Total assets	<u>1,249,865</u>
<b>LIABILITIES</b>	
Current	
Accounts payable	5,448
Accrued wages and related liabilities	<u>12,181</u>
Total current liabilities	17,629
Noncurrent liabilities	
Compensated absences	<u>24,181</u>
Total liabilities	<u>41,810</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	569,057
Restricted for capital projects	148,317
Unrestricted	<u>490,681</u>
Total net assets	<u><u>\$ 1,208,055</u></u>

See accompanying notes to financial statements.

Ionia Community Library  
Statement of Activities  
Year ended June 30, 2008

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Recreation and culture	<u>\$ 513,337</u>	<u>\$ 2,867</u>	<u>\$ 245,449</u>	<u>\$ (265,021)</u>
General revenues:				
Property taxes				346,602
State grants				15,243
Interest				<u>24,084</u>
Total general revenues				<u>385,929</u>
Change in net assets				120,908
Net assets, beginning of year				<u>1,087,147</u>
Net assets, end of year				<u><u>\$ 1,208,055</u></u>

See accompanying notes to financial statements.

# **FUND FINANCIAL STATEMENTS**



Ionia Community Library  
Balance Sheet - Governmental Funds  
June 30, 2008

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 663,684
Due from other governmental units	8,354
Prepaid expenses	<u>8,770</u>
Total assets	<u><u>\$ 680,808</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 5,448
Accrued and other liabilities	12,181
Deferred revenue	<u>341,858</u>
Total liabilities	359,487
FUND BALANCE	
Reserved for prepaid expenses	8,770
Reserved for capital projects	148,317
Unreserved - undesignated	<u>164,234</u>
Total fund balance	<u>321,321</u>
Total liabilities and fund balance	<u><u>\$ 680,808</u></u>

See accompanying notes to financial statements.

Ionia Community Library  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to Net Assets of Governmental Activities on the Statement of Net Assets  
June 30, 2008

Total fund balance - governmental fund: \$ 321,321

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the fund financial statements.

Add: the cost of capital assets	873,173
Deduct: accumulated depreciation	(304,116)

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the fund financial statements.

Add: deferred revenue	341,858
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund financial statements.

Deduct: compensated absences	(24,181)
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Total net assets - statement of activities:	<u><u>\$ 1,208,055</u></u>
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See accompanying notes to financial statements

Ionia Community Library  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
June 30, 2008

	<u>General Fund</u>
REVENUES	
Taxes	\$ 335,527
State grants	15,243
Charges for services	2,867
Fines and forfeits	233,976
Interest	24,084
Other revenue	<u>11,473</u>
Total revenues	623,170
EXPENDITURES	
Recreation and culture	406,953
Capital outlay	<u>104,341</u>
Total expenditures	<u>511,294</u>
Excess of revenues over expenditures	111,876
Fund balance, beginning of year	<u>209,445</u>
Fund balance, end of year	<u><u>\$ 321,321</u></u>

See accompanying notes to financial statements.



Ionia Community Library  
Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of the Governmental Funds to the Statement of Activities  
June 30, 2008

Total change in fund balance: \$ 111,876

Amounts reported for the governmental activities in the statement  
of activities are different because:

Capital outlays are reported as expenditures in the fund financial  
statements. However, in the statement of activities, the cost of capital  
assets is allocated over their estimated useful lives as  
depreciation expense.

Add:	capital outlay	104,341
Deduct:	depreciation expense	(54,351)
Deduct:	net effect of disposal of capital assets	(51,831)

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the fund  
financial statements.

Add:	change in deferred revenue	11,075
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Some items reported in the statement of activities do not require  
the use of current financial resources and therefore are not  
reported as expenditures in governmental fund financial statements.

Deduct:	increase in compensated absences	(202)
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Total change in assets of governmental activities:	<u><u>\$ 120,908</u></u>
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See accompanying notes to financial statements.

# NOTES TO THE FINANCIAL STATEMENTS



Ionia Community Library  
Notes to Financial Statements  
June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Ionia Community Library (the Library) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Library.

**Reporting Entity**

The Library is governed by an eight member board of directors, of which are equally appointed by the following governmental entities: The City of Ionia, The Township of Easton, The Township of Ionia and Ionia Public Schools. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and have primary accountability for fiscal matters.

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Library's reporting entity, and which organizations are legally separate, component units of the Library. Based on the application of the criteria, the Library does not contain any component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All of the Library activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Ionia Community Library  
Notes to Financial Statements  
June 30, 2008

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences, are recorded only when payment is due.

The Library reports the following major governmental fund:

The *General Fund* is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

### **Budgets and Budgetary Accounting**

An annual budget is adopted by the Library for the general fund and is prepared on the modified accrual basis of accounting. The budget is adopted at the function line item level and control is exercised at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Ionia Community Library  
Notes to Financial Statements  
June 30, 2008

### **Cash and Cash Equivalents**

The Library's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Library's deposits are in accordance with statutory authority.

### **Receivables**

Accounts receivable report amounts due to the Library that has arisen in the ordinary course of business and is stated net of allowances for uncollectible amounts.

Due from other governmental entities consist of the Library's share of property taxes collected by other governmental entities but not yet remitted to the Library.

### **Property Taxes**

Ionia County levies property taxes for the Library. As the Library tax is collected by the City and Township treasurers, it is remitted to the County for distribution to various libraries within the County. At March 1 of each year, the City and Townships settle their delinquent taxes with the County treasurer and the unpaid real property tax is remitted to the various libraries by the County treasurer. Delinquent personal property taxes are retained by the treasurers for subsequent collection. The County is permitted by State statute to levy up to \$1 per \$1,000 of the assessed valuation on property within the County on behalf of the Library. For the year ended June 30, 2008, the County levied .9381 mills.

Ionia Community Library  
Notes to Financial Statements  
June 30, 2008

### Capital Assets

Capital assets, which include property, plant and equipment, of the governmental activities are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Library as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Library does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Library are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land	Not Applicable – Not Depreciated
Building Improvements	20
Collections	5 – 40
Furniture and Equipment	5 – 50

### Deferred Revenue

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2007, but which are levied to finance the Library's operations during the June 30, 2009 fiscal year.

Ionia Community Library  
Notes to Financial Statements  
June 30, 2008

## **Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## **Compensated Absences**

In accordance with Library personnel policies, individual employees have rights upon termination of employment to receive payment for unused compensated absences (i.e. sick, vacation, personnel paid time off) under the formulas and conditions specified in the personnel policies. The dollar amount of these rights, including related payroll taxes, amounted to \$24,181 as of June 30, 2008.

## **Net Assets and Fund Balances**

Restricted net assets shown in the government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental funds financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

### Fund Balances - Reserves and Designations

Fund balances in the governmental fund financial statements are reported as reserved when a portion of fund balance is either:

- Not available for appropriation for expenditure, or
- Legally segregated for a specific future use.

Fund balances in the governmental fund financial statements may be reported as designated to reflect management's self-imposed limitations on the use of otherwise available financial resources. Designations represent management's intended use of resources and should reflect actual plans approved by them.

### Net Assets – Restrictions

Net assets in the government-wide financial statements are reported as restricted when constraints placed on net assets use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

Ionia Community Library  
Notes to Financial Statements  
June 30, 2008

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess of Expenditures over Appropriations**

Budgets are adopted at the line item level and on a basis consistent with accounting principles generally accepted the United States of America. Annual appropriated budgets are adopted for the general fund. Encumbrance accounting is not employed in governmental funds.

During the year, the Library did not incur expenditures in excess of the amounts appropriated as indicated in the budget comparison report in this report.

**NOTE 3 – DETAIL NOTES**

**Cash and Cash Equivalents**

At year end, the carrying amount of the Library's cash and cash equivalents was \$660,227:

Cash Deposits	\$497,470
Certificates of Deposit	162,757
Totals	\$660,227

At June 30, 2008, the bank balance of the Library's deposits was \$660,227 of which \$254,206 was insured by the FDIC. The remaining amount was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.



Ionia Community Library  
Notes to Financial Statements  
June 30, 2008

**Capital Assets**

A summary of changes in capital assets follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>ASSETS</b>				
Land	\$111,914	-	-	\$111,914
Building Improvements	96,346	\$42,034	-	138,380
Collections	555,333	50,732	(\$55,533)	550,532
Furniture and Equipment	60,772	11,575	-	72,347
Sub-totals	824,365	104,341	(55,533)	873,173
<b>ACCUMULATED DEPRECIATION</b>				
Building Improvements	(45,595)	(7,502)	-	(53,097)
Collections	(179,267)	(38,326)	3,702	(213,891)
Furniture and Equipment	(28,605)	(8,523)	-	(37,128)
Sub-totals	(253,467)	(54,351)	3,702	(304,116)
<b>Totals</b>	<b>\$570,898</b>	<b>\$49,990</b>	<b>(\$51,831)</b>	<b>\$569,057</b>

Depreciation expense was charged to the recreation and cultural function.

Ionia Community Library  
Notes to Financial Statements  
June 30, 2008

## **Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims for the commercial insurance, if any, have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

## **Retirement Plans**

### ***Employee Retirement System***

#### **Plan Description**

The Library participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all of the Library's eligible full-time employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Gabriel, Roeder, Smith & Company, One Towne Square, Suite 800, Southfield, Michigan 48076.

The most recent period for which actuarial data was available was for the year ended December 31, 2007. The Library's payroll for the employees covered by the system for the year ended December 31, 2007 was \$129,506.

As of December 31, 2007, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	1
Active plan participants	4
Vested former members	0
Total	5

Ionia Community Library  
Notes to Financial Statements  
June 30, 2008

Funding Policy

Benefit programs and provisions are established by the Retirement Board. All benefits vest after 10 years of service. The standard retirement age is 60 years; however, members may retire with several combinations of age and years of service and receive reduced early retirement benefits. Municipalities may adopt various other benefit programs which allow retirement at an earlier age with unreduced benefits based upon combinations of age and years of service, or just years of service. MERS also provides non-duty disability and death benefits to members after vesting requirements are met.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is based on the standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and separate benefits, estimated to be payable in the future as a result of employee services to date. The measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the plan's funding status of the system on a going-concern basis; (2) assess progress made in accumulating sufficient assets to pay benefits when due; and (3) make comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2007. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0% and (b) projected salary increases of 4.5% per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

Ionia Community Library  
Notes to Financial Statements  
June 30, 2008

At December 31, 2007, the assets were less than the pension benefit obligation by \$129,276, determined as follows:

<b><i>GASB 25 Information</i></b>	
<b><i>Actuarial Accrued Liability</i></b>	
Retirees and beneficiaries currently receiving benefits	\$69,478
Terminated employees not yet receiving benefits	0
Non-vested terminated employees	0
Current Employees:	
Accumulated employee contributions including allocated investment income	0
Employer financed	284,893
Total actuarial accrued liability	354,371
Net assets available for benefits at actuarial value (market = \$227,720)	225,095
Unfunded actuarial accrued liability	\$129,276
<b><i>GASB 27 Information</i></b>	
Fiscal Year Beginning	July 1, 2009
Annual Required Contribution (ARC)	\$18,300
Amortization factor used – under-funded liabilities (29 years)	.055889

Three year trend information follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Fund Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12-31-05	165,476	301,955	136,479	55%	149,179	91%
12-31-06	194,497	335,723	141,226	58%	153,430	92%
12-31-07	225,095	354,371	129,276	64%	129,506	100%

Ionia Community Library  
Notes to Financial Statements  
June 30, 2008

***Defined Contribution Plan***

The library also has a 457, single employer defined contribution plan available to all full-time employees. The defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under the defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investment of those contributions, and the forfeitures of other participant's account. All full-time employees of the Library are eligible to participate.

The plan allows each employee to determine his/her own contribution, up to 100% of compensation according to current provisions of the Internal Revenue Service Code. The Library matches up to 3% of employee contributions. Employee and employer contributions are paid to the plan on each payroll date (bi-weekly) and for the year ending June 30, 2008, employer contributions to the plan were \$4,343.

# **REQUIRED SUPPLEMENTAL INFORMATION**

## **BUDGETARY COMPARISON SCHEDULE**



Ionia Community Library  
Budgetary Comparison Schedule  
General Fund  
June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 327,703	\$ 335,527	\$ 335,527	-
State grants	16,842	15,243	15,243	-
Charges for services	2,920	2,814	2,867	\$53
Fines and forfeits	211,738	233,246	233,976	730
Interest	16,000	20,000	24,084	4,084
Other Revenue	<u>2,500</u>	<u>9,860</u>	<u>11,473</u>	<u>1,613</u>
Total revenues	577,703	616,690	623,170	6,480
EXPENDITURES				
Recreation and culture				
Salaries and wages	223,100	232,213	232,212	1
Payroll taxes and fringe benefits	81,356	78,693	76,091	2,602
Utilities	15,000	15,000	12,875	2,125
Supplies	6,000	6,000	5,706	294
Communications	10,140	10,140	7,002	3,138
Advertising	7,500	7,500	7,443	57
Repairs and maintenance	35,026	26,500	21,479	5,021
Insurance	5,846	5,846	5,157	689
Contractual services	45,000	20,000	15,626	4,374
Travel and training	4,000	4,026	4,026	-
Dues and memberships	13,572	13,022	9,764	3,258
Fundraising	3,500	1,000	574	426
Programming	5,000	7,090	7,090	-
Miscellaneous	<u>5,611</u>	<u>8,532</u>	<u>1,908</u>	<u>6,624</u>
Total recreation and cluture	460,651	435,562	406,953	28,609
Capital outlay	<u>117,052</u>	<u>181,128</u>	<u>104,341</u>	<u>76,787</u>
Total expenditures	<u>577,703</u>	<u>616,690</u>	<u>511,294</u>	<u>105,396</u>
Excess of revenues over expenditures	-	-	111,876	111,876
Fund balance, beginning of year	<u>209,445</u>	<u>209,445</u>	<u>209,445</u>	<u>-</u>
Fund balance, end of year	<u>\$ 209,445</u>	<u>\$ 209,445</u>	<u>\$ 321,321</u>	<u>\$ 111,876</u>

See accompanying notes to financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Library Board  
Ionia Community Library  
Ionia County, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Ionia Community Library (the Library) as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Ionia Community Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management in a separate letter dated November 13, 2008.

This report is intended for the information and use of management, Library Board, federal awarding agencies, pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Roslund, Prestage & Co, PC". The script is cursive and fluid.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

November 13, 2008



## Management Letter

Ionia Community Library  
Ionia, Michigan

In planning and performing our audit of the financial statements of the Ionia Community Library for the fiscal year ended June 30, 2008, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated November 13, 2008 on the financial statements of the Ionia Community Library.

Sincerely,

A handwritten signature in black ink that reads 'Roslund, Prestage &amp; Co, PC'. The signature is written in a cursive, flowing style.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

November 13, 2008

### **Time Sheets**

Our audit procedures included testing the payroll system controls. Our tests indicated that employees' time cards do not require the signature of each employee certifying the number of hours he / she worked during the pay period.

Because payroll represents approximately 60% of the total library expenditures, we recommend each individual employee be required to sign their time card certifying the amount of hours he / she worked.

We also recommend the Library Director continue to review and sign off on the employee time cards indicating approval for the number of hours each employee worked.

### **Uninsured Bank Deposits**

During recent months the financial market has seen significant fluctuations leading many to question the security and availability of bank deposits held in financial institutions. Although most banks insure deposits through the Federal Deposit Insurance Corporation (FDIC), there are limits to that coverage.

It is our understanding that the current limits for FDIC insured balances are \$250,000 per entity per financial institution. Governmental units may also request certain funds be collateralized by the bank. There are also other options regarding the investment of surplus funds including investment pools, treasury investments, and commercial paper.

We are not investment advisors. However, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review your investment policies to ensure it continues to satisfy the Library's goals.

### **Adopt a Credit Card Policy**

We noted during our audit that a credit card policy has not been formally adopted. Public Act 266 of 1995 authorizes the use of credit cards by local units of government for appropriate expenses. The act also sets specific criteria which must be followed. One of those criteria is that the local unit must have adopted, by resolution, a written policy regarding various aspects of credit card use. We recommend that the Library Board review these requirements and adopt a credit card policy.

### **Investigate Old Outstanding Checks**

During our cash audit procedures, we noted that the outstanding check list for the main checking account included an old outstanding item dated March 16, 2008. We recommend management review the listing of outstanding checks as noted on the bank reconciliations on a regular basis. All old outstanding checks should be investigated on a timely basis.